

## SUMMARY

The Office of the County Auditor conducted a review of the four transportation related grants administered within the Department of Planning & Zoning. At the request of the Administration, the review was conducted when it was learned that Howard County matching funds owed to the 051 Grants Fund had not been separately budgeted in the General Fund. We examined grant funding for fiscal years 2002, 2003, and 2004 including a thorough review of the budgeting, accounting, and reporting procedures related to these grants. We determined that each of the Departments (Planning & Zoning, Finance, Budget) that are involved in the transportation grant process were tracking grant revenues and expenditures by different methods making it difficult to determine the status of an individual grant. We made numerous recommendations to improve this process such as establishing a Grants Administrator position, creating new grant tracking forms, preparing a clearer budget presentation, and more closely monitoring funding, revenues and expenditures. Many of these recommendations have already been implemented.

Our review confirmed that Howard County matching funds, although budgeted in the 051 Grants Fund in fiscal years 2002, 2003, and 2004, had not been included in the General Fund to transfer to the 051 fund. To partially correct this error for FY 2004, SAO 8 transferred \$2,409,734 from the General Fund contingency to the General Fund to help pay for the county's obligation for transit fiscal year 2004. An additional expenditure reduction of \$876,600 is expected to result from a decrease in services. We reviewed all receipts and expenditures related to each of the grant funds and summarized our findings on Attachments 4-8.

Overall, this review determined that during fiscal years 2002, 2003, and 2004, the County spent a total of \$2,281,220 above the amount already transferred for transportation programs, which was not budgeted in the General Fund. After meeting with the Department of Finance, it was determined that an additional \$711,518 should be transferred to the Grants Fund to cover pre-FY 2002 obligations for a total transfer of \$2,992,738 from the General Fund to the Grants Fund.

## **SCOPE**

We have reviewed the budgeting, accounting and reporting procedures for the transportation grants processed through the Department of Planning and Zoning (DPZ). Our review was initiated to determine what procedures are in place in the County to account for these grants and how the Department of Planning & Zoning, the Department of Finance, the Office of Budget, and Corridor Transportation Corporation interact in the grant process. In addition, it was determined that the County match on several of these grants had not been budgeted for at least FY 2003 and FY 2004. We reviewed the records and discussed the situation with the applicable individuals in an effort to determine how this error occurred and how to prevent its reoccurrence.

## **BACKGROUND**

Howard County put out a Request for Proposal (No. 20-02) in FY 1992 for a "Management Firm for Transit Services." The contract was awarded to Corridor Transportation Corporation (CTC). CTC submits an annual cost estimate to the DPZ grants administrator as part of its annual contract agreement. The estimates for FY 03 and FY 04 operating costs were submitted as follows:

**FY 2003**

**FY 2004**

Fixed Route.....	\$3,850,000	\$5,294,110
Paratransit.....	<u>2,750,000</u>	<u>2,311,745</u>
Subtotal	\$6,600,000	\$7,605,855
Estimated Revenues.....	(495,000)	(427,495)
Estimated Net Operating Costs.....	\$6,105,000	\$7,178,360

In addition to these costs, Corridor gets a management fee which in FY 2003 was estimated at \$631,137 and at \$621,183 for FY 2004. There is also a Reverse Commute Career Caravan Program to and from Baltimore with BWI Business Partnership at \$880,000 in both FY 2003 and FY 2004.

There are a number of Federal and State grants awarded to Howard County to support these transportation programs. Any program costs not grant supported become the responsibility of Howard County.

According to their contract, Corridor also prepares the applications to be submitted to the State or Federal government to share in the costs of the County's transportation program. The exact amount of the grant is not known when a budget is prepared and, at best, a "grant award letter" may be available. The costs above the grant awards would be paid by County funds which should be budgeted as part of the County's General Fund appropriation.

In FY 2003 and FY 2004 the County's operating budget divided the transportation program into a General Fund portion and a Grants Fund portion which was presented as follows:

<u>General Fund-011</u>	<u>FY 2003</u>	<u>FY 2004</u>
* <u>Community Services Paratransit:</u>		
General Fund	\$2,514,453	\$2,307,748
<u>Grants Fund-051</u>		
<u>Ridesharing Coordinator Program:</u>		

<b>Department of Transportation</b>	<b>\$ 124,267</b>	<b>\$ 134,119</b>
<b><u>Transportation Planning:</u></b>		
State Funded Grants	\$ 19,000	\$ 19,000
Dept of Transportation	<u>182,454</u>	<u>135,745</u>
	<b>\$ 201,454</b>	<b>\$ 154,745</b>
<b>* <u>Transit Operations:</u></b>		
State Funded Grants	\$2,575,694	\$2,392,887
Howard County Matching	<u>2,199,586</u>	<u>3,286,334</u>
	<b>\$ 4,775,280</b>	<b>\$5,679,221</b>
<b><u>Job Access Reverse Commuter Program:</u></b>		
Dept. of Transportation	\$ 660,000	\$ 570,000
Revenue – Other Agencies	220,000	190,000
Howard County Matching	<u>-0-</u>	<u>120,000</u>
	<b>\$ 880,000</b>	<b>\$ 880,000</b>

**\* Revenue related to paratransit of \$580,031 in FY 03 and \$592,520 in FY 04 is not included in the General Fund but is shown as revenue in the Grants Fund under Transit Operations.**

Although some of the amounts are similar, the format in which the funding is presented by CTC, put into the budget document, tracked by DPZ, and recorded in the County's financial records are all different. These differences have contributed to the funding issues and the problems in determining the status of the various grants related to the transportation program.

Our report is divided into two sections. The First Section relates to the procedures that were in place to record the grants in the various County records and the problems that occurred in those procedures. The Second Section relates to our review of the financial transactions that have actually occurred relating to the transportation grants and where the County currently is relating to the funding of these programs.

## **CURRENT PROCEDURES**

We have reviewed the County's transportation grants starting with determining the cost of the annual transportation program to the closing of any related grants. This process

flows through several County and non-County agencies so it is important to decide what controls should be in place, what controls are in place, and to rectify any differences.

### **DEPARTMENT OF PLANNING AND ZONING**

The Department of Planning and Zoning (DPZ) is the department considered the "Grant Administrator" for the transportation program and related grants. Although all grants and budgets are authorized through the Office of Law, Office of Budget, and Department of Finance, the initial preparation and approval is the responsibility of the DPZ. The Department of Planning and Zoning, through a contractual arrangement, has transferred the grant administration function to Corridor Transportation Corporation (CTC).

The Grants Administrator is responsible for informing the Office of Budget what the anticipated costs of the transportation programs for each fiscal year will be and the amount of grant funding available to cover those costs. The cost estimates, fare box and advertising revenue, and the grant revenue estimates are provided to DPZ from Corridor on an annual basis. Once these costs are estimated, they are put into the budget document with estimated grant revenue amounts.

The difference (after grants) is the County's funding (match) which should be verified by the Budget Office and included in the General Fund.

Based on our discussion with staff and a review of the records, we found that staff turnover, miscommunication, and lack of follow-up allowed the program to be approved in FY 2002, FY 2003, and FY 2004 without the County appropriating the matching funds.

Once the total costs are approved in the budget document, DPZ submits purchase orders for most of the costs of each of the programs it tracks and begins spending against those P.O.s without matching expenditures to the specific grants. The quarterly payments to Corridor & BWI Business Partnership are usually first charged against the General Fund (paratransit) and then, when those funds are spent, charged against the Transit Operations grant program. There is no tracking by the County of actual grant awards or revenues against program expenditures to determine if the amount of actual revenues and expenditures is accurate. The revenues from fare boxes and advertising are not shown in the County budget presentations and the amount of grant revenue received for the General Fund Paratransit Program is budgeted in the 051 grants funded programs. Several changes have been made for FY 2005 procedures which will be discussed with our recommendations following the departmental presentation.

### **BUDGET OFFICE**

The Office of Budget receives the estimated program costs from DPZ and determines the amount of County funding necessary to provide the County matching funds. It appears that part of the problem with the matching funds in recent years is the presentation of a transportation program divided between General Fund and Grant Fund portions of the budget. The Budget Office believed all funds needed for the County match were included in the General Fund when, in reality, only the funding for the paratransit program was included. In addition, paratransit is overstated in the General Fund requirement by failing to indicate the grant funding. We have made recommendations concerning these issues at the end of this section.

#### **DEPARTMENT OF FINANCE**

The Department of Finance enters grant funding into the County's financial system based on the approved budget document.

Finance receives a purchase order from DPZ for each of the areas tracked: (1) CTC Management Service, (2) Fixed Route, (3) Paratransit, (4) Reverse Commute.

When DPZ receives a bill from Corridor and also BWI Business Partnership for transit expenses, a purchase requisition is prepared and forwarded to Finance for payment. Bills are not matched to a specific program's purchase order but to any purchase order with funds remaining.

Finance receives grant reimbursement requests from the DPZ Grants Administrator. The reimbursement requests are sent to the State and a book is maintained by Finance listing all requests. If reimbursement is received, DPZ is not contacted. Finance tracks requests that have been sent out but they do not know the amounts that are not yet billed against the grants.

#### **CORRIDOR TRANSPORTATION**

By contract, Corridor manages the transportation program and receives a management fee. Corridor also manages several related subcontracts on behalf of the County including bus shelter installation, maintenance, bus advertising, etc. Yellow Transportation provides the bus service and is paid through Corridor. Corridor requests (approximately quarterly) payments from the County to operate the system.

The payments are requested through DPZ and paid against the transportation purchase orders. When Corridor has sufficient expenditures (and grant documents have been signed) a request for grant reimbursement is prepared by Corridor and forwarded to DPZ. The DPZ Grants Administrator reviews the request and prepares a cover letter to Finance to bill the State of Maryland. DPZ does not receive information from Finance to track receipt of payment and although Finance does track the State billing, they do not know if all funding has been requested. Also, because of delays in receiving approved grant documents, some payment reimbursements are received one to two years after County expenditures are made.

### **ADDITIONAL NEW PROCEDURES**

Since the problems were found with the funding of the grants, the Department of Finance and the Office of Budget have developed several new forms. The Department of Finance has requested that all departments with grant funding complete a "Grant Project Survey" form (attachment 1) which requests detailed information on each grant and the funding requirements including any required County match. In addition, a "Single Audit Worksheet" form (attachment 2) requests information to be used by the external auditors during their audit work on federal programs.

The Office of Budget has prepared a new detailed information form (attachment 3) that will be submitted with each grant included in the budget. This form requests information such as the source of the numbers included for the grant, the payment method, and the amount of matching funds. The DPZ has requested a grant schedule from Corridor for the FY05 Budget.

We commend both the Department of Finance and the Office of Budget for initiating these new procedures. We believe these forms will provide the County with additional data on all grants and in a format that will be consistent in all departments. The information should be summarized and compared to the amounts included (especially County funding requirements) in both the budget documents and the financial records.

**We also examined changes included in the presentation of the transportation grants in the proposed FY 2005 budget. In addition, a breakdown for FY 2005 of each of the grant programs and its funding sources was received from DPZ (attachments 10 and 11). These attachments clearly show the amount of County funding required from the General Fund and the amount due from each State and Federal program.**

**In addition, we reviewed the FY 2005 proposed budget document to see how the transportation grants were presented. We believe that showing the Paratransit Program in the grants section adds to the clarity of the presentation. However, we also believe that all the transportation programs should be shown in the grants section under DPZ rather than split into two sections. In addition, the summary of the General Fund and Grants Fund programs, on budget book page IV-29 is confusing because it presents an \$11.2 million dollar program when, in reality, we have a \$7.2 million dollar program which includes \$4,053,555 of County funding. We believe that, if the total is shown, it needs to have another line backing out the County contribution so that the total is correct. This would be the same for other departments with similar presentations.**

### **CONCLUSION-PROCEDURES**

**The purpose of our review was to understand the existing controls in the County procedures and where in those procedures grant revenues and expenditures were being recorded for reimbursement purposes. From our review of the transportation grants, we determined that each of the Departments that are involved in the process is tracking grant revenues and expenditures by different methods making it extremely difficult to determine the status of an individual grant. By contract, Corridor records expenditures and prepares documentation for reimbursement from the State.**

**However, Corridor only tracks expenditures to obtain reimbursement for State and Federal funds. They do not determine if the County has transferred its matching share to the 051 Grants Fund.**

**In addition, Corridor does not prepare the documentation to bill the State until the grant documents have been finalized and they have no reason to request that the**



County expedite the approval process. Because of these timing delays, the chance of placing grant revenues received one to two years late into the wrong account is increased.

As a result of our review, we recommend that additional resources and procedures be implemented which we feel will improve the County's budgeting, accounting and record keeping of grants.

1. A full- time Grants Administrator position should be created in the Department of Finance. This position would be responsible for grant accounting and certifying that amounts budgeted and entered into the financial system are accurate, in agreement with grant documents, and maintained correctly during the fiscal year. Grant files should be maintained to assist in the Single Audit as well as any audits by outside grantor agencies. This person would establish a centralized database of the County's Federal and State grants and the County funding requirements and also assist in establishing uniform record-keeping procedures in all County departments. The position should be assigned full-time to these tasks at least until the database and records are established.

**Administration's Response:**

A part-time Fiscal Specialist I position has been budgeted in the Department of Finance for FY05. This Grants Accountant will assist departments in completing their quarterly grant reconciliations, research discrepancies, monitor grant reimbursement requests, prepare County matching fund transfers and prepare schedules required for the Single Audit. The County has also purchased the Financial Tracking System (FTS) which will provide the software to track detail activity of all county grants. This software has been installed and implemented in Citizen's Services and Planning and Zoning. It has been purchased for County-wide use in a web-based version and the anticipated date for implementation is October, 2004. In addition, a policy is currently being established by the Grant Management committee to provide uniform guidelines for authorizing, budgeting, monitoring, and accounting of grants received by Howard County government.

2. *An authorization document, which would show the amount of County General Funds required, be included with a department's budget request when submitted to the Office of Budget. When approved, both agencies should have an authorized signature on this document, which would be filed with the Grants Administrator.*

**Administration's Response:**

The Department of Finance will request a copy of all Budget Grant Request forms (see Attachment #3) to be used to monitor grant activity. In addition a standard sign-off form (see Attachment #1) has been designed to address the signature issue and will be filed with the Grants Accountant.

3. *When a General Fund contribution is included in a program, that amount of funding should be transferred to the 051 Fund at the beginning of the year (like Internal Service Funds). The Department of Finance should question any budgeted County contribution shown in the financial system that has not been transferred.*

**Administration's Response:**

The responsibility will be shared between the Office of Budget, the Department of Finance's new Grants Accountant and the specific Grants Manager to ensure that a request is made to transfer matching funds during the fiscal year prior to incurring grant program expenses. It should be noted that not all transfers can be done until final grant information is received.

4. *In order to determine that all authorized grants funding has been invoiced and received, grants should be accounted for on an individual grant basis. The Grants Administrator should receive a list from each department showing anticipated grant funding not yet billed by the County.*

**Administration's Response:**

The Administration concurs with this recommendation. The Department of Finance will require that all departments send notification to the Grants Accountant when they submit grant reimbursements requests. The Grants Accountant will monitor requests and notify the Administration if any problems are noted.

5. *A review of budgeted grant amounts should be made during the fiscal year to determine that the approved grant amounts agree with the amounts budgeted. If funding has been changed, the actual grant expenditures should be modified before the end of the grant period or required County funding amended.*

**Administration's Response:**

The Administration concurs with this recommendation. The Financial Tracking System (FTS) requires the adjustment of the grant amounts from the anticipated budgeted amount to the actual budget amount received. As a result, FTS will not allow a grant to be overspent.

6. *Different presentations are often used by Finance, Budget, and the grant departments. These presentations combine numerous grants and programs into various summary categories. A detailed reconciliation should be maintained showing how individual grant receipts and*

expenditures relate to these summary presentations. However a final reconciliation cannot be realized until a long time after the grant year has ended because of timing issues.

**Administration's Response:**

The Administration concurs with this recommendation. All departments will be required to prepare quarterly reconciliations of grant activity from their sub-ledger (Financial Tracking System) to the County's general ledger financial system. Those reconciliations will be reviewed by the Grants Accountant.

7. Grant documents should be processed through the County's authorization process as quickly as possible. Grant documents sometimes take over a year to receive final authorization-often not completed until the grant year is over. No reimbursement requests are sent to the State from the County until a grant is authorized. Reimbursements for expenditures can be received one, two, or three years after they have been made.

**Administration's Response:**

This issue is being addressed by the Grant Management Committee in the proposed policy. The policy will require that all grant authorizations be returned by the date indicated on the standard sign-off form attached to the grant application.

8. The schedule of Federal grants, prepared by the Department of Finance for the Single Audit, should be sent out in draft form to all County departments. Each department should verify that all of their Federal grants are included on that schedule.

**Administration's Response:**

The Administration concurs with this recommendation. The Grants Accountant will prepare the Single Audit schedules and send them to the appropriate departments for verification.

2. All the transportation programs should be shown together in the grants section of the proposed budget under DPZ rather than split into two sections.

**Administration's Response:**

The FY 2005 budget has been restructured to have all the transit related grants (Fixed Route, Paratransit and Reverse Commute grants) and general funds related to these grants in the same budget center (016, Transportation Services) rather than the Department of Planning and Zoning.

However, Rideshare and Transportation Planning (UPWP) grants are still in the Department of Planning and Zoning budget structure. The difference between the two is that these grants have been grouped by functionality and transportation planning and transportation operations should be separated.

**10. The summary of the General Fund and Grants Fund program on page IV-29 of the Proposed FY 2005 operating budget should have another line deducting out the County Contribution so that the total is correct. This would be the same for other departments with similar funding presentations.**

**Administration's Response:**

The BRASS software does not have the capability to make this deduction. However, a statement will be made on applicable summary pages that matching funds are duplicative in the totals.

**REVIEW OF FINANCIAL TRANSACTIONS**

The second phase of our review was a detailed examination of the County's financial records to determine the status of each of the transportation grants and the amount of additional County funding required. We performed the procedures outlined below in order to analyze the revenue received and expenditures incurred during fiscal years 2002, 2003, and 2004 so that we could ultimately determine the additional County obligation for these years and how much should be transferred from the General Fund to the 051 Grants Fund.

We discussed the grant programs with the Transportation Grant Administrator in the Department of Planning & Zoning (DPZ). The main grant programs focused on were:

- \_ **Ridesharing Coordinator (051 005 0105)**
- \_ **Transportation Planning (051 005 0404)**
- \_ **Transit Operations (051 005 0411)**
- \_ **Job Access Reverse Commute Program (051 005 0416)**

**The largest of these programs is Transit Operations with a budget of \$5,679,221 in FY 04.**

**In addition, we also reviewed the Paratransit Program which is budgeted in the General Fund and is both Howard County and grant funded. A total of \$2,307,748 was budgeted in FY 04 in this program. Following this discussion, we:**

1. Reviewed all grant documentation related to each program to determine the funding sources and amount to be paid as to State and Federal (State/Fed), Howard County, or other local such as Baltimore City Department of Social Services.
2. Prepared a separate schedule for each program, which shows each grant number, amount received in each fiscal year from State/Fed, total State/Fed share, amount remaining to be paid, if any, from the State/Fed, Howard County or other local share, and the total grant amount.
3. Traced and verified information on the grant schedules maintained by DPZ to data independently developed by this office through a review of the County's financial records.

During these review procedures, we noted that the fiscal year 2004 State/Federal grant agreements have not been signed and sent to the State for signature as of April 2004, therefore, it is not possible to receive reimbursement for their share of expenditures. We noted that there is often a long delay between the beginning of a grant year's expenditures and the approval of grant documents for reimbursement. These delays contribute to the problems we noted relating to receipt of grant reimbursements. The grant agreements are presently located at the Office of Law awaiting their approval. In the meantime, approximately \$3.4 million in expenditures has been paid by the County for which reimbursement cannot be requested. Therefore, we recommend that:

11. *The grant agreements be signed immediately and forwarded to the State for their signature so that Howard County can be reimbursed for FY 04 expenditures. Procedures should be implemented to expedite approval of future grant documents.*

**Administration's Response:**

The Administration concurs with this recommendation. The Grant Management Committee is addressing this issue in the proposed policy.

We went to the Department of Finance to trace all revenues into and expenditures from these programs for fiscal years 2002, 2003, and 2004, using AFIN as the reference point. This included:

4. Tracing 100% of the invoices billed by the Department of Finance to the State/Fed or, in a few instances, to another local source, to the resulting payment and credit to the applicable program.
5. Matching the payment to the related grant to determine if any grant amount was still outstanding.
6. Determining all expenditures from the programs and tracing all large expenditures to the source documents
7. Determining all encumbrances and related payments

We noted several instances where State/Fed grant fund revenues were posted to the wrong account number per DPZ's instructions to Finance. Specifically, one payment in FY 02 and four payments in FY 04 were posted to the Transit Operations program (0411) and should have been posted to the Job Access Reverse Commute program (0416). Otherwise, all invoices billed were either paid in full or any difference was resolved satisfactorily. All invoices/revenue were reconciled with AFIN.

Therefore, we recommend that:

**12. All grant fund revenues should be posted to the program to which the grant relates.**

**Administration's Response:**

The Administration concurs with this recommendation. Grant managers in each department will be required to send notification of reimbursement requests to the Head Cashier. The notification will include the grant name, reimbursement amount and revenue account to be credited. The Head Cashier will send notification to the appropriate grants manager when the funds have been received.

We noted that grant revenues and expenditures are not accounted for and reconciled on a grant by grant basis. Expenditures are charged to the related program such as Transportation Planning or Transit Operations but not to a specific grant. In order to receive reimbursement for expenditures, DPZ sends a memo to Finance requesting that they invoice the appropriate agency (usually the Maryland Department of Transportation) for a specific amount and enclosing the appropriate back-up information to support it. The back-up is prepared by Corridor and reviewed by DPZ. Finance creates an invoice which is sent with the back-up information to support it. Only if reimbursement is not received is DPZ contacted. DPZ does not receive nor request confirmation of receipt of funds from Finance. A journal entry is prepared monthly by Finance to record the revenue. Our review indicated that all requests for grant reimbursement were either

received or otherwise satisfactorily resolved. However, to obtain this information and match revenues to specific grants was very time intensive and required review of numerous County documents. All grants through FY 03 have been paid in full.

Funds budgeted in the General Fund (\$2,307,748 in FY 04) for the Paratransit Program, based on an estimate for paratransit operations from Corridor Transportation Company, are spent interchangeably with funds budgeted in the 051 grants fund for transit operations which cover paratransit and fixed route services. Typically, these 011 funds are used for the first two quarterly payments to Corridor in each fiscal year. Grant revenue for paratransit operations is credited to the 051 Grant Fund for transit operations. There is no indication in the 051 summary of funding for these services that these 011 funds are provided as part of the County share, i.e., there is no summary for the entire transportation program which shows all funds from all sources including Howard County.

We also found that other miscellaneous expenditures such as payroll are not matched to the grants to which they relate but rather are charged against the entire program. There is no overall reconciliation at year end of revenues and expenditures to specific grants. In order for the County to determine that grant expenditures not exceed the grant budget or that the full grant award is received we recommend that:

**13. Grant revenues and expenditures should be monitored by their related grants and reconciled by DPZ annually and also before the grant is closed.**

**Administration's Response:**

The Administration concurs with this recommendation. The restructuring of the budget for Transportation Services, as well as the Financial Tracking System, will address the posting of both expenditures and revenues to the appropriate grant.

**14. DPZ should be notified by Finance when grant revenues are received as to the specific grant and amount. This would allow them to verify all related grant funds received and is necessary for the reconciliation process.**

**Administration's Response:**

The Administration concurs with this recommendation. The Head Cashier in Finance will send notification to DPZ's grant manager when the funds have been received.

**15. Expenditures for paratransit and fixed routes should be accounted for separately.**

**Administration's Response:**

The Administration concurs with this recommendation. The restructuring of the budget for Transportation Services, as well as the Financial Tracking System, will address the posting of expenditures to the appropriate grant

We reviewed the approved budget for each fiscal year and:

- 1.1 Compared total State/Fed source of funds per the grants to total State/Fed source of funds per the approved budget book.
- 1.2 Compared total Howard County/other matching source of funds per the grants to total Howard County matching source of funds per the approved budget book.

We found that the Transit Operations Grant Program (0411) **State/Fed share** per the grant documents was \$2,203,682 for FY 02 (includes \$540,000 received during the year), \$2,658,131 for FY 03, and \$2,590,632 (estimated at 4/04) for FY 04, whereas the approved budget book for those fiscal years shows \$2,640,885 (includes \$540,000 received during the year), \$2,575,694, and \$2,392,887, respectively. Actual receipts equaled the grant amounts. It appears that more was received in FY 03 (\$2,658,131) than was originally budgeted (\$2,575,694). This is also true in FY 04 where \$2,590,632 is estimated revenue versus the \$2,392,887, which was originally budgeted. In addition, DPZ and Finance record the grant revenue received for the two paratransit grants in the funds under 0411. These two grants do not appear to have been budgeted at all. Because the County Code stipulates that the budget must include all anticipated revenue, we recommend that:

***16. All anticipated grant revenue be fully budgeted to be in compliance with County law.***

**Administration's Response:**

The Administration concurs with this recommendation. The restructuring of the budget for Transportation Services addresses this issue by reflecting all grant and matching funds required.



The Transit Operations Grant Program (0411) actual **County/Other share** per the grant documents was \$1,781,122 for FY 02, \$2,418,863 for FY 03, and \$2,481,398 (estimated at 4/04) for FY 04 whereas the approved budget book for those fiscal years shows \$1,472,840, \$2,199,586, and \$3,286,334, respectively (this includes budgeted funds in 051 005 0411 less the two paratransit grants referred to above). Again, it appears that more revenue was anticipated in FY 02 and FY 03 and less in FY 04 per the grant documents than was budgeted.

We recommend that:

**17. All anticipated County matching revenue be verified to related grant documents.**

**Administration's Response:**

The Administration concurs with this recommendation. The restructuring of the budget for Transportation Services, as well as the Financial Tracking System, will address the posting of expenditures and revenues to the appropriate grant.

In our review, we could not find any one source in the County records that provided information on the amount of funding approved for each grant program by year, the amount of grant funding received for that program that year, and the actual amount of related expenditures. In attachments 5-9 we present summary schedules of our review of the approved grant documents and the County's financial records to determine the anticipated, actual, and additional County funding required for the Transportation grant programs. We reviewed fiscal years 2002, 2003 and 2004. The following paragraphs present our findings by each of the program designations currently used by the County in the budget.

The Ridesharing Coordinator Program (0105) will require that no additional County funds will need to be transferred from the General Fund to the 051 Grants Fund (see attachment 5).

The Transit Operations Grant Program (0411) shows that Howard County matching funds of \$1,472,840 in FY 02, \$2,199,586 in FY 03, and \$3,286,334 in FY 04 were originally shown in the 051 fund budget, however, they were not budgeted, as required, in the General Fund in order to be transferred to the 051 fund.

To partially correct this error for FY 2004, \$2,409,734 was transferred from the General Fund contingency to Transportation Services (011 016). Remaining expenditures in account 051 005 0411 through the end of FY 04 will be funded with this money.

A reduction in services is expected to result in a savings of \$876,600. We have determined that additional Howard County funds of \$1,860,451 for FY 02, \$1,126,002 for FY 03, and a surplus of

\$790,265 for FY 04 or a total of \$2,196,188 will be required from the General Fund to reimburse the 051 fund for expenditures paid for which are the County share (see attachment 7).

The Job Access Reverse Commute Program (0416) will require that additional County funds of \$30,000 for FY 02, \$225,776 for FY 03, and a surplus of \$221,018 for FY 04 or a total of \$34,758 will need to be transferred from the General Fund to the 051 Grants Fund to reimburse for expenditures paid for which are the County share (see attachment 8).

The Transportation Planning Program (0404) will require that additional County funds of \$45,465 for FY 02, \$64,449 for FY 03 and a surplus of \$26,572 for FY 04 or a total of \$83,342 will need to be transferred from the General Fund to the 051 Grants Fund to reimburse for expenditures paid for which are the County share (see attachment 6).

In summary, it appears that during the three-year period FY 02, 03 & 04 the County spent a total of \$2,281,220 above the amount already transferred for transportation programs, which was not budgeted in the General Fund (see attachment 4). We reviewed this amount with representatives from the Department of Finance who indicated this amount appears to reconcile with amounts they believe should be funded for that period. Finance also recommends that an additional \$711,518 be transferred for pre-FY2002 obligations. Therefore, we recommend that:

**18. In order to repay the 051 Grants Fund for fiscal years 2002, 2003 and 2004 expenditures which should have been funded by the General Fund, an additional \$2,281,220 be transferred from the General Fund to the Grants Fund and an additional \$711,518 be also transferred for pre-FY 2002 repayments for a total transfer of \$2,992,738.**

**Administration's Response:**

Finance will make the necessary transfers at the end of FY 2004 to move the required matching funds to the grant fund.